

Edgar Filing: Crestwood Equity Partners LP - Form 10-Q

Crestwood Equity Partners LP  
Form 10-Q  
August 04, 2016  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the quarterly period ended June 30, 2016

OR  
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

(Exact name of registrant as specified in its charter)	Commission file number	State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
Crestwood Equity Partners LP	001-34664	Delaware	43-1918951
Crestwood Midstream Partners LP	001-35377	Delaware	20-1647837

700 Louisiana Street, Suite 2550  
Houston, Texas 77002  
(Address of principal executive offices) (Zip code)  
(832) 519-2200  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Crestwood Equity Partners LP Yes  No   
Crestwood Midstream Partners LP Yes  No

(Explanatory Note: Crestwood Midstream Partners LP is currently a voluntary filer and is not subject to the filing requirements of the Securities Exchange Act of 1934. Although not subject to these filing requirements, Crestwood Midstream Partners LP has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months.)

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Crestwood Equity Partners LP Yes  No   
Crestwood Midstream Partners LP Yes  No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Crestwood Equity Partners LP	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Crestwood Midstream Partners LP	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Crestwood Equity Partners LP      Yes  No

Crestwood Midstream Partners LP    Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date (July 29, 2016)

Crestwood Equity Partners LP      69,054,059

Crestwood Midstream Partners LP    None

Crestwood Midstream Partners LP, as a wholly-owned subsidiary of a reporting company, meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this report with the reduced disclosure format as permitted by such instruction.

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

CRESTWOOD EQUITY PARTNERS LP  
CONSOLIDATED BALANCE SHEETS  
(in millions, except unit information)

	June 30, 2016 (unaudited)	December 31, 2015
Assets		
Current assets:		
Cash	\$ 0.9	\$ 0.5
Accounts receivable	247.5	236.5
Inventory	43.5	44.5
Assets from price risk management activities	9.5	32.6
Assets held for sale	55.0	—
Prepaid expenses and other current assets	10.9	21.7
Total current assets	367.3	335.8
Property, plant and equipment	2,538.9	3,747.7
Less: accumulated depreciation and depletion	390.9	436.9
Property, plant and equipment, net	2,148.0	3,310.8
Intangible assets	946.8	975.8
Less: accumulated amortization	225.0	206.6
Intangible assets, net	721.8	769.2
Goodwill	249.5	1,085.5
Investment in unconsolidated affiliates (Note 4)	1,099.1	254.3
Other assets	7.7	7.2
Total assets	\$ 4,593.4	\$ 5,762.8
Liabilities and partners' capital		
Current liabilities:		
Accounts payable	\$ 164.5	\$ 144.1
Accrued expenses and other liabilities (Note 3)	101.2	105.6
Liabilities from price risk management activities	10.9	7.4
Current portion of long-term debt (Note 7)	0.9	1.1
Total current liabilities	277.5	258.2
Long-term debt, less current portion (Note 7)	1,581.6	2,501.8
Other long-term liabilities	45.1	47.5
Deferred income taxes	7.8	8.4
Commitments and contingencies (Note 10)		
Partners' capital (Note 9):		
Crestwood Equity Partners LP partners' capital (69,487,799 and 68,555,305 common and subordinated units issued and outstanding at June 30, 2016 and December 31, 2015)	1,948.1	2,227.6
Preferred units (63,559,359 and 60,718,245 units issued and outstanding at June 30, 2016 and December 31, 2015)	545.5	535.8
Total Crestwood Equity Partners LP partners' capital	2,493.6	2,763.4
Interest of non-controlling partners in subsidiaries	187.8	183.5
Total partners' capital	2,681.4	2,946.9

Total liabilities and partners' capital	\$ 4,593.4	\$ 5,762.8
See accompanying notes.		

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CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except unit and per unit data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Product revenues:				
Gathering and processing	\$199.1	\$263.3	\$361.6	\$524.2
Marketing, supply and logistics	257.4	196.5	463.9	473.7
	456.5	459.8	825.5	997.9
Services revenues:				
Gathering and processing	69.7	82.4	145.4	170.8
Storage and transportation	53.8	68.5	113.2	136.1
Marketing, supply and logistics	21.2	29.7	52.4	66.1
Related party (Note 11)	0.7	1.1	1.4	2.1
	145.4	181.7	312.4	375.1
Total revenues	601.9	641.5	1,137.9	1,373.0
Costs of product/services sold (exclusive of items shown separately below):				
Product costs:				
Gathering and processing	221.9	285.3	397.3	543.5
Marketing, supply and logistics	210.0	147.1	376.0	389.3
Related party (Note 11)	4.4	7.7	8.7	16.0
	436.3	440.1	782.0	948.8
Service costs:				
Gathering and processing	—	0.1	0.1	0.3
Storage and transportation	1.9	5.3	4.8	10.6
Marketing, supply and logistics	11.8	14.0	26.5	29.5
	13.7	19.4	31.4	40.4
Total costs of products/services sold	450.0	459.5	813.4	989.2
Expenses:				
Operations and maintenance	45.0	43.9	86.8	94.5
General and administrative	28.9	30.6	51.9	58.1
Depreciation, amortization and accretion	64.4	74.8	126.7	149.0
	138.3	149.3	265.4	301.6
Other operating expenses:				
Loss on long-lived assets, net	(32.7 )	(0.6 )	(32.7 )	(1.6 )
Goodwill impairment	—	(281.0 )	(109.7 )	(281.0 )
Operating loss	(19.1 )	(248.9 )	(83.3 )	(200.4 )



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CRESTWOOD EQUITY PARTNERS LP  
CONSOLIDATED STATEMENTS OF OPERATIONS (continued)  
(in millions, except unit and per unit data)  
(unaudited)

	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Earnings from unconsolidated affiliates, net	6.2	5.0	12.7	8.4
Interest and debt expense, net	(34.3 )	(35.4 )	(70.4 )	(69.0 )
Gain (loss) on modification/extinguishment of debt	10.0	(17.1 )	10.0	(17.1 )
Other income, net	0.1	0.1	0.2	0.3
Loss before income taxes	(37.1 )	(296.3 )	(130.8 )	(277.8 )
Provision (benefit) for income taxes	—	(0.3 )	—	0.1
Net loss	(37.1 )	(296.0 )	(130.8 )	(277.9 )
Net income (loss) attributable to non-controlling partners	6.0	(256.0 )	11.9	(246.2 )
Net loss attributable to Crestwood Equity Partners LP	(43.1 )	(40.0 )	(142.7 )	(31.7 )
Net income attributable to preferred units	8.1	—	9.7	—
Net loss attributable to partners	\$(51.2)	\$(40.0)	\$(152.4)	\$(31.7)
Subordinated unitholders' interest in net loss	\$—	\$(0.9 )	\$—	\$(0.7 )
Common unitholders' interest in net loss	\$(51.2)	\$(39.1)	\$(152.4)	